

## Esther Peterson is OCA Director

President Carter on Aug. 12 named Esther Peterson Director of the retitled US Office of Consumer Affairs (OCA). She has assumed that responsibility in addition to her present duties as Special Assistant to the President for Consumer Affairs.

## S-p-r-e-a-d-i-n-g the word

*The Phone Book*, a brochure published by the US Independent Telephone Association, 1801 K St., NW, Washington, DC 20006, tells you, among other things, how babysitters should handle calls, what to do about obscene calls and how to save money on long distance calls. It is free by writing to the address given above.

## Cooperative housing forums

Housing and Urban Development Dept. (HUD) will hold its first session of an ongoing Forum for Cooperative Housing on Oct. 18 in Washington, DC. Exact time and location may be obtained by contacting person listed below.

HUD says the enactment of the National Consumer Cooperative Bank Act "will make HUD forums on housing cooperatives a necessity in order to dispel the belief that non-profit business establishments are not creditworthy.

"We know that the small businessman, residents of inner cities, rural communities and low-and moderate-income level families are discriminated against. They are considered credit risks. If our country is to survive and remain economically secure, we must give these people the opportunity to have their own economic stake in its future."

HUD also pointed out that the Bank "can help us move closer to our goals in revitalizing US cities." The first session will provide opportunities for HUD officials and organizations interested in furthering cooperative housing to explore ways of making HUD programs more effective. Such organizations may send to HUD the name of one representative for a contact list from which participants will be invited to the second and third forums—tentatively scheduled for next year in Detroit and New York.

Sept. 30 is deadline for sending names—in addition to obtaining additional information—to Debbi Hurd, Office of Consumer Liaison, Housing and Urban Development Dept., Washington, DC 20410; telephone 202-755-6996.

# consumer news

DEPARTMENT OF HEALTH, EDUCATION & WELFARE  
Office of Consumer Affairs

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## Co-op banks—a new tool for consumers

A bank to make sound loans to all types of consumer cooperatives that cannot get financing from commercial sources has been established by Public Law 95-351 (The National Consumer Cooperative Bank Act). Created within the Bank will be an Office of Self-Help Development and Technical Assistance to provide capital advances and interest subsidies to low-income or emerging co-ops as well as technical and research assistance such as market feasibility studies, analyses of a co-op's capital structure and financial needs, training of staff, and management counseling.

Esther Peterson, Special Assistant to the President for Consumer Affairs, called the Co-op Bank Act "the most significant piece of consumer legislation to be enacted by the 95th Congress and may ultimately prove to be one of the most important of this decade. It allows people to help themselves and can help to enhance consumer sovereignty in the marketplace."

The Cooperative League of the USA said "This new Bank will give millions of Americans an opportunity to become joint owners of democratically owned small businesses specializing in serving their interests and solving their own problems as consumers."

To help the Bank get started, the Federal Government will buy up to \$300 million in stock of the Bank over the next 3 years, but eventually the Bank will be owned by the borrowers. The Bank is similar in many ways to the 60-year-old Cooperative Farm Credit System which the Federal Government initially put up the money for but which is now owned by its users—farmers, ranchers, commercial fishermen and other rural residents.

The bank is designed to fill the gaps in existing cooperative financing and will serve co-ops not able to qualify for loans through the above-mentioned Farm Credit System, Rural Electrification Administration, Cooperative Finance Corporation and the Rural Telephone Bank. It will be governed by a Board of Directors consisting of 13 Presidentially-appointed members serving—after Senate approval—for terms of 3 years. Seven of the members will come from agencies of the Federal Government, and all others from the general public. These members would be expected to have experience in housing, consumer goods, low-income and other types of eligible cooperatives. The President is expected to ask consumers and cooperative groups for names of eligible nominees for these positions. The Bank will be supervised and examined by an existing agency designated by the President.

Many details of the legislation have yet to be worked out, and consumers and others will have an opportunity to comment on upcoming implementing regulations before the Bank begins to operate—probably in a year.

For an information sheet on how the Co-op Bank will function, write to Cooperative League of USA, 1828 L St., NW, Washington, DC 20036; telephone 202-USA-0550.

## Solar energy industry

Federal Trade Commission (FTC) is asking for comments on its recent publication, *The Solar Market*. It is 300 pages long. *The Solar Market* is a record of the proceedings of the Solar Energy Symposium sponsored by FTC in December 1977. It contains over 30 papers and critical commentaries on a variety of competition and consumer issues facing the developing solar industry. These papers were written by economists, consumer representatives, lawyers, scientists, business representatives and government officials. A limited number of copies of *The Solar Market* are available (free) from the FTC Distribution Branch, Room 128, 6th and Pennsylvania Ave., NW, Washington, DC 20580.

FTC would like comments on such subjects as:

- The impact on competition of Federal solar programs.
- The effect of Federal research, development, and demonstration awards on the growth and direction of the industry.
- The role of utilities and large energy companies in the development of the solar industry.
- The existence of actual or potential barriers to entry and incentives to commercialization of solar energy.
- The effect on consumers and on competition within the industry of various standards and warranty proposals.

The deadline for comments on the publication is Oct. 20. They should be sent to Director, Bureau of Competition, Federal Trade Commission, Washington, DC 20580. Label comments "Solar Market comments." More details may be found in the Aug. 11 issue of the *Federal Register*, page 35747. Or call Marilyn Holmes at 202-523-3696.

## Pintos and Bobcats again

In spite of allegations by consumer activist Ralph Nader that the Ford Motor Co. is deliberately stalling in its recall of 1.5 million Pintos and Mercury Bobcats (because of defective fuel system designs), National Highway Traffic Safety Administration (NHTSA) says Ford seems to be meeting the timetable it set in June for recalling the cars. According to NHTSA, Ford is expected to send recall notices this month to all affected car owners that will contain instructions for having the defective fuel systems repaired or replaced. Cars involved are all 1971-1976 Pintos and 1975-1976 Bobcats, except station wagons.

## OCA testifies on life insurance

Consumers could realize substantial savings when buying or changing life insurance policies if they received adequate information on which to base their decisions, according to the US Office of Consumer Affairs (OCA).

OCA spokesperson Lee Richardson made the remarks recently on behalf of OCA in testimony before the House Subcommittee on Oversight and Investigations which is studying the life insurance industry, its marketing practices, the disclosure to consumers of price and other information, and the appropriate Federal role in regulating the industry.

Dr. Richardson said that, "Generally, consumers are not aware that they could save a great deal of money by shopping around for lower-cost policies," and that "the agency system of selling life insurance can operate to make consumers less likely to shop around even if they know they should."

To show that something is wrong with the life insurance marketplace, Richardson pointed to the high rate of voluntary terminations of ordinary life policies in force less than 2 years. That rate was 19.7% in 1976, but 25 years ago only 9.4% of consumers let policies lapse in less than 2 years. Richardson said that "such terminations are extremely costly to consumers because of the front-end load in these policies which means that consumers pay high agent commissions and administrative fees from premiums paid during the early years policies are in force. The result is that policyholders receive little or no value when policies lapse within the first few years they are in force."

Richardson said that while many industries are beginning to engage in face-to-face discussions with consumers, "our experience indicates that insurance associations are not especially interested in debating issues of interest to consumers." He added that refusal of some life insurance industry associations to participate in a recent symposium on life insurance sponsored by OCA and the National Consumers League demonstrates a general unwillingness of the industry to enter into a dialog with consumers as a means of correcting problems in the marketplace.

The OCA expert noted that greater consumer participation is needed in the formal policymaking proceedings with insurance regulators. He said funds should be made available for consumer representatives to take part in the decisionmaking of the National Association of Insurance Commissioners (NAIC). After much debate, and after hearing recent testimony from OCA and a number of consumer groups on the need for funded consumer involvement, the NAIC consumer subcommittee agreed only to explore the availability of outside grants to fund public participation in NAIC proceedings.

In addition to having a voice in decisionmaking, Richardson said, consumers are entitled to receive adequate data on which to make intelligent choices. This includes:

- Getting the message to consumers that it pays to shop around for life insurance.
- Providing indices taking into account the "time value" of money in making cost comparisons among policies. Time value includes the concept that life insurance premiums paid by consumers should accumulate interest when held by the company as cash values.
- Giving consumers "rate of return" information so they know how much they can expect to receive from the "savings" portion of their policies.
- Using the annual percentage rate (APR) approach to inform consumers of how much they will be charged if they choose to pay premiums more frequently than once a year.

(Continued on page 3)

## Life insurance (Continued from page 2)

- Making all this information available to existing policyholders, as well as potential policyholders, so existing policyholders can evaluate the advisability of replacing a policy with one costing less.

In discussing the matter of policy replacement, Richardson said an NAIC proposed model replacement regulation may be aimed at competitors and thus "seems more likely to discourage replacements than to deal with the ever-present problem of consumers' inability to compare policy costs."

Richardson also expressed strong reservations concerning an NAIC cost disclosure regulation because it provides no requirement for cost disclosure at the point of sale, allows for manipulation by companies, and includes neither a "yardstick" for true cost comparison nor disclosure of rate of return.

As to a Federal role in regulating the life insurance industry, Richardson said that the Federal Trade Commission's (FTC) work in the areas of cost comparison and cost disclosure could "produce positive effects for consumers" in the environment of an uneven system of state regulation. However, he noted that the FTC has emphasized that it does not intend to take over regulation of the insurance industry.

## Nitrites

**Food and Drug Administration (FDA) and Agriculture Dept.** have issued a joint statement on the results of a study recently completed for FDA by the **Massachusetts Institute of Technology (MIT)** that strongly suggests that nitrite alone (not only in combination with amines in meat and in the human body, as previously thought) produces cancer of the lymphatic system in test animals.

The joint statement pointed out that "about 20% of the average human dietary exposure to nitrites now comes from cured food products. The remaining 80% comes from nitrate in other sources of human food" such as spinach and drinking water.

The statement noted that FDA and Agriculture are both bound by law to eliminate food additives when they pose a hazard to human health. But the nitrite problem presents a need to balance 2 kinds of health risks—since nitrite protects against the formation of botulin toxin, a deadly food poison. FDA and Agriculture are considering several options and will announce their decision at a later date.

The conclusions of the MIT study have been criticized by, among others, the meat industry and members of Congress. This criticism was based on charges that a special strain of cancer-prone rats was used in the MIT study and that the rats were fed "gargantuan" doses of nitrite. MIT replied, however, that the "dosage levels were realistic . . . far more realistic than most carcinogenesis studies" and that the strain of rats used in the experiment, which are used routinely in all kinds of biomedical research, "are 'less sensitive to carcinogens than other strains.'"

As a result of the criticism of the MIT study, FDA and Agriculture issued another statement in August, assuring the public and Congress that "when a regulatory decision has been selected from the options being considered, a full discussion of our plans to carry it out will be presented for public and Congressional criticism."

**NOTE:** Several public interest and consumer groups have previously asked that nitrate and nitrite be banned from all products [See CONSUMER NEWS Dec. 1, 1977], and the whole question of nitrates, nitrites and nitrosamines was discussed in detail in CONSUMER NEWS April 1.

## Recall

- **CORD ADAPTERS**—Black and Decker Manufacturing Co. of Towson, MD, in cooperation with Consumer Product Safety Commission (CPSC), has announced a voluntary recall of No. 86-210 extension-cord adapters because of a potential shock hazard. Adapters were packaged with Black and Decker electric hedge trimmers during spring and summer of 1978 and distributed nationwide. Black and Decker says fewer than 1,000 of the more than 200,000 adapters produced could have exposed brass electrical contacts protruding through the molded material, a condition which could cause a serious electrical shock. Adapters are orange and have the number "86-210" molded on the outside surface. They are supplied as standard equipment with hedge trimmers, along with instructions for attaching the adapter to an extension cord.

What to do: Stop using the adapters and closely examine them for any metal showing through the outside surface. Such adapters should be returned for free replacement to any Black and Decker Service Center or a Black and Decker-authorized service center. For more information call Black and Decker collect at 301-828-2955 during normal working hours. To verify the model number call CPSC's toll-free hotline (800-638-2666); Maryland residents only call 800-492-2937.

## Warning!

**National Highway Traffic Safety Administration (NHTSA)** is warning owners of certain Ford Motor Co. vehicles equipped with automatic transmissions to be careful when they park their cars and trucks.

NHTSA is conducting a formal defect investigation involving certain 1970 through 1978 Ford passenger cars and trucks because the agency has reports of 777 accidents, 259 injuries and 23 deaths allegedly caused by automatic transmissions jumping from "Park" into "Reverse" gear. Involved in the investigation are about 9 million Ford vehicles equipped with C6 or FMX transmissions.

What to do: Never leave vehicle unattended with engine running—not even briefly. Turn off the engine, pushing the gear selector all the way to the "Park" position and pull on the selector lever (without raising the lever) to make sure it is secured, and set the parking brake. If you have a problem report it promptly to NHTSA, preferably by letter. The address is Office of Consumer Participation, National Highway Traffic Safety Administration, Washington, DC 20590. Otherwise call NHTSA's toll-free auto safety hotline. 800-424-9393; (Washington, DC metropolitan area call 426-0123).

## Cellulose hearings

These are the dates and locations for the public meetings on cellulose insulation standards summarized in CONSUMER REGISTER.

Sept. 6, 1-4 pm  
Howard Johnsons 57 Motor Inn  
200 Stuart St.  
Boston, MA

Sept. 7, 9-12:30 pm  
Biltmore Hotel  
Madison Avenue and 43rd St.  
New York, NY

Sept. 8, 1-4 pm  
Federal Reserve Bank  
100 North 6th St.  
Philadelphia, PA

Sept. 20, 9-1:30 pm  
Ramada Central Hotel  
6th and Washington Sts.  
Kansas City, MO

Sept. 21, 1-4:30 pm  
Dunfey's Family Royal Coach  
I-75 @ Howell Mill Road, NW  
Atlanta, GA

Sept. 26, 1-4:30 pm  
Student Union Auditorium  
University of Utah  
Salt Lake City, UT

Sept. 27, 12:30-5 pm  
Thunderbird Motel  
2201 East 78th St.  
Bloomington, MN

Sept. 28, 9-12:30 pm  
Federal Building  
1240 East 9th St.  
Cleveland, OH

## Smoking and drinking

A recent study, published in *The New England Journal of Medicine*, shows that the cost of smoking and alcohol abuse in the US has reached a "staggering" \$59.9 billion per year. This figure represents about 25% of the economic cost of all illness to the nation. Included in the \$59.9 billion total is the economic cost of medical care and lost earnings attributable to smoking and alcohol abuse.

Breaking the categories down, the study shows that costs incurred in treating the diseases caused by smoking total \$8.2 billion compared to \$11.9 billion for alcohol abuse. The cost attributable to lost earnings for smoking is \$19.1 billion and for alcohol abuse, \$20.6 billion. "Both behaviors lead to a large number of building fires, but alcohol abuse has many more socially related costs, such as those connected with crime and motor vehicle accidents," said study authors Bryan R. Luce and Dr. Stuart O. Schweitzer, health economists at the School of Public Health at the University of California in Los Angeles.

According to the study, there are an estimated 9 million alcohol abusers and 60 million smokers in the US. Each alcohol abuser is responsible for \$4,910 worth of economic costs to society. Each cigarette smoker costs society about \$459 each year.

The study also reported consumption statistics for 1975. Cigarette smokers bought 607 billion cigarettes costing \$15.7 billion for all tobacco products during the year. Approximately \$14.4 billion was paid for cigarettes alone. If the estimate of 60 million smokers in the country is accurate, then, on the average, each smoker spent \$240 a year on 506 packages of cigarettes.

On the other hand, twice as much money is spent on alcohol as is spent on cigarettes. In 1974 the cost of alcoholic beverages consumed totaled \$30 billion—approximately 2.66 gallons for each adult in the US.

The study concludes that "Smoking and alcohol abuse have severe economic consequences both for the individual and for the nation." Both smoking and alcohol abuse result in decreased human productivity, the study said. The statistics show that losses in production and earnings cost the nation more than treatment for those problems.

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